

September 30, 2002

The Honorable Henry C. Murden
Clerk of the Circuit Court
City of Suffolk

City Council
City of Suffolk

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the City of Suffolk for the period July 1, 2001 through June 30, 2002.

Our primary objectives were to test the accuracy of financial transactions recorded on the Court's financial management system; evaluate the Court's internal controls; and test its compliance with significant state laws, regulations, and policies. However, our audit was more limited than would be necessary to provide assurance on the internal controls or on overall compliance with applicable laws, regulations, and policies.

The results of our tests found the Court properly stated, in all material respects, the amounts recorded and reported in the financial management system; and no instances of noncompliance with applicable laws, regulations, and policies. However, we noted weaknesses in internal controls that the Clerk needs to address as described below.

Establish Accountability of Manual Receipts

The Clerk does not maintain sufficient accountability and audit trail for manual receipts issued when the court's automated system is unavailable. Instead of using the pre-numbered, multiple copy receipts that the office has on hand, the Clerk uses locally generated receipts that are not sequentially numbered and are prepared only in a single copy. As a result, we were unable to determine how many manual receipts the Clerk may have issued during the audit period.

The Clerk should begin using the pre-numbered, multiple copy receipts immediately and establish procedures to properly document and retain manual receipts as outlined in the Financial Management System User's Guide, Chapter 7. Failure to maintain accountability and an adequate audit trail of manual receipts greatly increases the risk of misappropriation, theft, or other loss of funds.

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Promptly Report Delinquent Accounts

The Clerk does not monitor and report delinquent accounts to the Department of Motor Vehicles for license suspension in a timely manner. We found 19 cases that were eligible for license suspension, which remained unreported for up to 12 months before the Clerk took appropriate action. The Clerk should establish policies and procedures to review and report delinquent accounts. Failure to report delinquent accounts seriously limits collection efforts and results lost revenue for the Commonwealth of Virginia.

Properly Receipt Payments

Court staff do not properly receipt payments in that payments made by check are sometimes not examined to ensure that the full amount due is paid. Customers are given receipts for full payment when they have actually paid less. These oversights are not normally discovered until the end-of-day reconciliations are completed. Then, instead of voiding the original incorrect receipt and recording the correct amount received, the Clerk records a shortage in the financial management system. The Clerk then records an overpayment when the customer pays the remaining balance. Issuing receipts for full payment when only partial payment has been received could seriously hinder the Court's ability to collect later. This could result in lost revenue for the Commonwealth.

The Clerk should stop this procedure immediately and begin following the established receipting procedures as outlined in the Financial Management System User's Guide. Recording shortages and overages in lieu of properly receipting payments results in an inadequate audit trail and increases the risk of misappropriation or loss of funds. Also, the Clerk should require staff to thoroughly examine checks for the correct amount before issuing receipts.

We discussed these comments with the Clerk on September 30, 2002, and acknowledge the cooperation extended to us by the Court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:kva

cc: The Honorable Westbrook J. Parker
Myles E. Standish, City Manager
Bruce Haynes, Executive Secretary
Compensation Board
Don Lucido, Director of Technical Assistance
Supreme Court of Virginia
Martin Watts, Court Analyst
Supreme Court of Virginia
Paul Delosh, Technical Assistance
Supreme Court of Virginia
Director, Admin and Public Records
Department of Accounts